

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Casco
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2005

CONTENTS

Page

INDEPENDENT AUDITORS' REPORT

3 - 4

BASIC FINANCIAL STATEMENTS:

Government-wide financial statements:

Statement of net assets

5

Statement of activities

6

Fund financial statements:

Balance sheet - governmental funds

7

Statement of revenues, expenditures, and changes in fund balances -
governmental funds

8

Statement of net assets - Fiduciary Fund

9

Notes to financial statements

10 - 17

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary comparison schedules:

General Fund

18 - 19

Road Fund

20

Fire and Ambulance Fund

21

SUPPLEMENTARY INFORMATION:

Combining balance sheet - nonmajor governmental funds

22

Combining statement of revenues, expenditures and changes
in fund balances - nonmajor governmental funds

23

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Casco, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Casco, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the Township of Casco, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Casco, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Casco, Michigan, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 18 through 21, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Casco, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

**Board of Trustees
Township of Casco, Michigan
Page 2**

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Casco, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Casco, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

August 31, 2005

BASIC FINANCIAL STATEMENTS

Township of Casco
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,059,319
Receivables	203,269
Prepaid expenses	<u>7,655</u>
Total current assets	<u>1,270,243</u>
Noncurrent assets:	
Receivables	1,791,142
Long-term advance to other governmental units	317,731
Capital assets, net of accumulated depreciation	<u>275,771</u>
Total noncurrent assets	<u>2,384,644</u>
Total assets	<u>3,654,887</u>
LIABILITIES	
Current liabilities:	
Accounts payable	38,091
Current maturities of long-term debt	<u>144,588</u>
Total current liabilities	182,679
Noncurrent liabilities:	
Long-term debt	<u>1,791,142</u>
Total liabilities	<u>1,973,821</u>
NET ASSETS	
Invested in capital assets	275,771
Restricted for:	
Public safety	377,029
Public works	86,305
Unrestricted, unallocated	<u>941,961</u>
Total net assets	<u><u>\$ 1,681,066</u></u>

See notes to financial statements

Township of Casco
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Functions /Programs				
Governmental activities:				
Legislative	\$ 4,000	\$ -	\$ -	\$ (4,000)
General government	200,592	40,038	-	(160,554)
Public safety	232,278	40,560	-	(191,718)
Public works	190,626	3,360	5,386	(181,880)
Health and welfare	154,820	-	-	(154,820)
Community and economic development	98,612	10,750	-	(87,862)
Recreation and culture	3,400	-	-	(3,400)
Interest on long-term debt	131,659	-	-	(131,659)
Total governmental activities	<u>\$ 1,015,987</u>	<u>\$ 94,708</u>	<u>\$ 5,386</u>	<u>(915,893)</u>
General revenues:				
Taxes				670,972
State grants				215,866
Investment income				153,413
Other				<u>9,656</u>
Total general revenues				<u>1,049,907</u>
Change in net assets				134,014
Net assets - beginning				<u>1,547,052</u>
Net assets - ending				<u>\$ 1,681,066</u>

See notes to financial statements

Township of Casco
BALANCE SHEET - governmental funds
June 30, 2005

	<u>General</u>	<u>Road</u>	<u>Fire and Ambulance</u>	<u>Debt Service</u>	<u>Other governmental funds</u>	<u>Totals</u>
ASSETS						
Cash	\$ 548,621	\$ 133,665	\$ 377,029	\$ -	\$ 4	\$ 1,059,319
Receivables	57,420	-	-	1,936,991	-	1,994,411
Due from other funds	47,360	-	-	-	-	47,360
Prepaid expenses	7,655	-	-	-	-	7,655
Long-term advance to other governments	317,731	-	-	-	-	317,731
Total assets	<u>\$ 978,787</u>	<u>\$ 133,665</u>	<u>\$ 377,029</u>	<u>\$ 1,936,991</u>	<u>\$ 4</u>	<u>\$ 3,426,476</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 36,826	\$ -	\$ -	\$ 1,261	\$ 4	\$ 38,091
Due to other funds	-	47,360	-	-	-	47,360
Customer deposits	-	-	-	-	-	-
Deferred revenue	11,700	-	-	1,935,730	-	1,947,430
Total liabilities	<u>48,526</u>	<u>47,360</u>	<u>-</u>	<u>1,936,991</u>	<u>4</u>	<u>2,032,881</u>
Fund balances:						
Reserved for long-term advance	317,731	-	-	-	-	317,731
Unreserved, undesignated	612,530	86,305	377,029	-	-	1,075,864
Total fund balance	<u>930,261</u>	<u>86,305</u>	<u>377,029</u>	<u>-</u>	<u>-</u>	<u>1,393,595</u>
Total liabilities and fund balances	<u>\$ 978,787</u>	<u>\$ 133,665</u>	<u>\$ 377,029</u>	<u>\$ 1,936,991</u>	<u>\$ 4</u>	<u>\$ 3,426,476</u>

Total fund balances - governmental funds \$ 1,393,595

Amounts reported for *governmental activities* in the statement of net assets (page 5)
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 275,771

Other long-term assets are not available to pay for current-period expenditures
and, therefore, are deferred in the funds 1,947,430

Long-term liabilities, including contracts payable, are not due and payable
in the current period and, therefore, are not reported in the funds. (1,935,730)

Net assets of governmental funds \$ 1,681,066

Township of Casco
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended June 30, 2005

	<u>General</u>	<u>Road</u>	<u>Fire and Ambulance</u>	<u>Debt Service</u>	<u>Other governmental funds</u>	<u>Totals</u>
REVENUES						
Taxes	\$ 135,751	\$ 145,459	\$ 327,414	\$ -	\$ 62,348	\$ 670,972
Licenses and permits	40,560	-	-	-	-	40,560
State grants	221,252	-	-	-	-	221,252
Charges for services	23,884	-	-	-	-	23,884
Interest and rentals	38,502	1,063	3,933	131,659	-	175,157
Other	12,176	-	-	222,551	-	234,727
Total revenues	<u>472,125</u>	<u>146,522</u>	<u>331,347</u>	<u>354,210</u>	<u>62,348</u>	<u>1,366,552</u>
EXPENDITURES						
Legislative	4,000	-	-	-	-	4,000
General government	186,238	-	-	-	-	186,238
Public safety	36,982	-	195,296	-	-	232,278
Public works	91,011	154,460	-	-	-	245,471
Health and welfare	-	-	92,472	-	62,348	154,820
Community and economic development	98,328	-	-	-	-	98,328
Recreation and culture	3,300	-	-	-	-	3,300
Debt service:						
Principal	-	-	-	222,551	-	222,551
Interest	-	-	-	131,659	-	131,659
Capital outlay	6,226	-	-	-	-	6,226
Total expenditures	<u>426,085</u>	<u>154,460</u>	<u>287,768</u>	<u>354,210</u>	<u>62,348</u>	<u>1,284,871</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	46,040	(7,938)	43,579	-	-	81,681
FUND BALANCES - BEGINNING	<u>884,221</u>	<u>94,243</u>	<u>333,450</u>	<u>-</u>	<u>-</u>	<u>1,311,914</u>
FUND BALANCES - ENDING	<u>\$ 930,261</u>	<u>\$ 86,305</u>	<u>\$ 377,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,393,595</u>
Net change in fund balances - total governmental funds						\$ 81,681
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:						
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.						
						46,333
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. Deferred revenues increased (decreased) by this amount this year:						
Special assessments						(222,551)
Interest on long-term advances to other governmental units						6,000
Repayment of contract payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.						
						<u>222,551</u>
Change in net assets of <i>governmental activities</i>						<u>\$ 134,014</u>

See notes to financial statements

Township of Casco
STATEMENT OF NET ASSETS - *Fiduciary Fund*
June 30, 2005

	<u><i>Agency Fund</i></u>
ASSETS	
Cash	<u>\$ 43</u>
LIABILITIES	
Due to other governmental units	<u>\$ 43</u>

See notes to financial statements

Township of Casco
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Casco, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) *Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) *Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) *Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for Township road improvements financed through property taxes.

The Fire and Ambulance Fund accounts for the operating contributions made to the joint venture described in Note 11.

The Debt Service Fund accounts for the issuance and payment of debt related to Water and Sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports two fiduciary funds, its Tax Collection and Agency funds, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	5 - 7 years
Shared road costs	20 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had the following significant budget variation:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Total appropriation</u>	<u>Total expenditures</u>	<u>Budget variance</u>
General	Public safety	Building inspections	\$ 2,000	\$ 36,982	\$ (34,982)
General	Community and economic development	Zoning/Board of appeals	92,100	98,328	(6,228)
General	Recreation and culture		1,300	3,300	(2,000)
General	Capital outlay		5,000	6,226	(1,226)
Road	Public works		148,000	154,460	(6,460)
Hospital	Health and welfare	Hospital	-	37,549	(37,549)

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 1,059,319	\$ 43	\$ 1,059,362

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2005, the Township has deposits with a carrying amount of \$1,059,362 and a bank balance of \$1,040,249. Of the bank balance, \$100,000 is covered by federal depository insurance and \$940,249 is uninsured.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds are as follows:

<u>Fund</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Total</u>
General	\$ 57,420	\$ -	\$ 57,420
Debt service	-	1,936,991	1,936,991
Totals	\$ 57,420	\$ 1,936,991	\$ 1,994,411
Non-current portion	\$ -	\$ 1,791,142	\$ 1,791,142

All receivables are considered to be fully collectible.

NOTE 5 - PAYABLES:

At June 30, 2005, the Township's payables were as follows:

<u>Fund</u>	<u>Total</u>
General	\$ 37,319
Debt service	1,261
Hospital	2
Senior services	2
Total	\$ 38,584

All payables are due within one year.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 72,930	\$ -	\$ 100	\$ 72,830
Capital assets being depreciated:				
Buildings	242,000		-	242,000
Infrastructure - shared road costs	30,337	57,807	-	88,144
Equipment	40,046	1,448	-	41,494
Subtotal	312,383	59,255	-	371,638
Less accumulated depreciation for:				
Buildings	125,000	6,000	-	131,000
Infrastructure	758	2,962	-	3,720
Equipment	30,117	3,860	-	33,977
Subtotal	155,875	12,822	-	168,697
Total capital assets being depreciated, net	156,508	46,433	-	202,941
Governmental activities capital assets, net	\$ 229,438	\$ 46,433	\$ 100	\$ 275,771

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 9,576
Public works	2,962
Health and welfare	284
Total governmental activities	12,822

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at June 30, 2005, is comprised of the following individual issues:

Contracts payable:

\$800,728 1995 water and sewer assessments, due to Allegan County in annual installments through 2015; interest at approximately 6.2%	\$ 311,403
\$776,261 1998 water and sewer assessments, due to Van Buren County in annual installments through 2019; interest at approximately 5.8%	399,974
\$1,606,818 2000 water and sewer assessments, due to Van Buren County in annual installments through 2021; interest at approximately 6.3%	1,055,785
\$243,471 contracts payable, due to South Haven and Casco Township Water and Wastewater Treatment Authority in various annual installments; interest at approximately 6.0%	<u>168,568</u>
Total contracts payable	<u>\$ 1,935,730</u>

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Contracts payable - 1995	\$ 365,806	\$ -	\$ (54,403)	\$ 311,403	\$ 25,950
Contracts payable - 1999	468,347	-	(68,373)	399,974	28,570
Contracts payable - 2000	1,144,808	-	(89,023)	1,055,785	65,987
Contracts payable	<u>179,320</u>	<u>-</u>	<u>(10,752)</u>	<u>168,568</u>	<u>24,081</u>
Total long term liabilities	<u>\$ 2,158,281</u>	<u>\$ -</u>	<u>\$ (222,551)</u>	<u>\$ 1,935,730</u>	<u>\$ 144,588</u>

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued):

Debt service requirements at June 30, 2005, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended December 31:		
2006	\$ 144,588	\$ 119,134
2007	144,588	110,266
2008	144,588	101,398
2009	144,588	92,529
2010	144,588	83,662
2011 - 2015	650,698	289,625
2016 - 2020	496,112	104,541
2021 - 2025	<u>65,980</u>	<u>4,157</u>
Totals	<u>\$ 1,935,730</u>	<u>\$ 905,312</u>

The Township is contingently liable for \$6,782,596 of outstanding water and sewer system contracts payable in excess of the amounts which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2005, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 47,360	Road	\$ 47,360

The amounts due to the General fund represent short-term borrowing to cover road expenditures.

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - JOINT VENTURE BALANCES AND TRANSACTIONS:

The Township, together with the Township of South Haven, established a joint water and sewage treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township has advanced \$317,731 for its share of the costs of the authority and anticipates reimbursement in the future, including interest of \$11,700.

The Township has joined the City of South Haven and the Townships of South Haven and Geneva in establishing a joint emergency services authority to provide fire and ambulance services in the authority's area of operation, which includes the Township of Casco. The operations of the emergency services authority are financed by taxes levied annually within the participating units of government. During the year ended June 30, 2005, the Township contributed \$287,768 toward the authority's operations.

The Township has joined the cities of South Haven and Bangor and the Townships of South Haven, Geneva, and Covert in establishing a joint regional airport authority to provide airfield services in the authority's area of operation, which includes the Township of Casco. The operations of the regional airport authority are financed by annual contributions within the participating units of government, as well as hangar rentals and fuel sales. During the year ended June 30, 2005, the Township contributed \$25,001 toward the authority's operations.

NOTE 12 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2005, is as follows:

Revenues	\$ 40,560
Expenses	<u>36,982</u>
Excess of revenues over expenses	<u>\$ 3,578</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Casco
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 125,050	\$ 125,050	\$ 135,751	\$ 10,701
Licenses and permits	42,025	42,025	40,560	(1,465)
State grants	200,500	200,500	221,252	20,752
Charges for services	19,000	19,000	23,884	4,884
Interest and rentals	28,200	28,200	38,502	10,302
Other	3,600	3,600	12,176	8,576
Total revenues	<u>418,375</u>	<u>418,375</u>	<u>472,125</u>	<u>53,750</u>
EXPENDITURES				
Legislative	<u>4,900</u>	<u>4,900</u>	<u>4,000</u>	<u>900</u>
General government:				
Supervisor	22,650	22,650	21,854	796
Election	6,150	8,600	8,281	319
Assessor	30,000	30,000	30,087	(87)
Clerk	31,400	35,400	31,441	3,959
Board of review	1,700	1,700	855	845
Treasurer	31,500	32,500	33,275	(775)
Building and grounds	52,250	53,050	12,247	40,803
Cemetery	40,200	51,200	34,332	16,868
Other	16,900	33,900	13,866	20,034
Total general government	<u>232,750</u>	<u>269,000</u>	<u>186,238</u>	<u>82,762</u>
Public safety - building inspections	<u>1,700</u>	<u>2,000</u>	<u>36,982</u>	<u>(34,982)</u>
Public works:				
Street lights	2,800	5,100	5,150	(50)
Transfer station	55,150	55,150	46,916	8,234
Drains	14,000	14,000	13,944	56
Airport authority	27,500	27,500	25,001	2,499
Total public works	<u>99,450</u>	<u>101,750</u>	<u>91,011</u>	<u>10,739</u>
Community and economic development - zoning/board of appeals	<u>75,100</u>	<u>92,100</u>	<u>98,328</u>	<u>(6,228)</u>

Township of Casco
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - other	\$ 1,300	\$ 1,300	\$ 3,300	\$ (2,000)
Capital outlay	5,000	5,000	6,226	(1,226)
Total expenditures	420,200	476,050	426,085	49,965
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,825)	(57,675)	46,040	103,715
FUND BALANCES - BEGINNING	884,221	884,221	884,221	-
FUND BALANCES - ENDING	<u>\$ 882,396</u>	<u>\$ 826,546</u>	<u>\$ 930,261</u>	<u>\$ 103,715</u>

Township of Casco
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 146,763	\$ 146,763	\$ 145,459	\$ (1,304)
Interest	<u>200</u>	<u>200</u>	<u>1,063</u>	<u>863</u>
Total revenues	146,963	146,963	146,522	(441)
EXPENDITURES				
Public works	<u>148,000</u>	<u>148,000</u>	<u>154,460</u>	<u>(6,460)</u>
Total expenditures	<u>148,000</u>	<u>148,000</u>	<u>154,460</u>	<u>(6,460)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,037)	(1,037)	(7,938)	(6,901)
FUND BALANCES - BEGINNING	<u>94,243</u>	<u>94,243</u>	<u>94,243</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 93,206</u>	<u>\$ 93,206</u>	<u>\$ 86,305</u>	<u>\$ (6,901)</u>

Township of Casco
BUDGETARY COMPARISON SCHEDULE - Fire and Ambulance Fund
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 315,153	\$ 315,153	\$ 327,414	\$ 12,261
Interest	500	500	3,933	3,433
Total revenues	<u>315,653</u>	<u>315,653</u>	<u>331,347</u>	<u>15,694</u>
EXPENDITURES				
Public safety - Fire protection	220,000	220,000	195,296	24,704
Health and welfare - Ambulance	<u>94,000</u>	<u>94,000</u>	<u>92,472</u>	<u>1,528</u>
Total expenditures	<u>314,000</u>	<u>314,000</u>	<u>287,768</u>	<u>26,232</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,653	1,653	43,579	41,926
FUND BALANCES - BEGINNING OF YEAR	<u>333,450</u>	<u>333,450</u>	<u>333,450</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 335,103</u>	<u>\$ 335,103</u>	<u>\$ 377,029</u>	<u>\$ 41,926</u>

SUPPLEMENTARY INFORMATION

Township of Casco
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2005

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Hospital</u>	<u>Senior Services</u>	
ASSETS			
Cash	\$ <u>2</u>	\$ <u>2</u>	\$ <u>4</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 2	\$ 2	\$ 4
Fund balances:			
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	\$ <u>2</u>	\$ <u>2</u>	\$ <u>4</u>

Township of Casco

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2005

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Hospital</u>	<u>Senior Services</u>	
REVENUES			
Taxes	\$ 37,549	\$ 24,799	\$ 62,348
EXPENDITURES			
Health and welfare	<u>37,549</u>	<u>24,799</u>	<u>62,348</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**To the Board of Trustees
Township of Casco, Michigan**

In planning and performing our audit of the financial statements of Township of Casco for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable condition that we believe to be a material weakness.

Special assessments

The Township is responsible for the collection and payment of approximately \$2 million of special assessments related to its membership in a joint Water and Sewer Treatment Authority. The Authority performs various duties on behalf of the Township related to these assessments, including the calculation of annual levies and maintenance of the software used to report all assessment balances and collections. There was no reconciliation done between the Township and the Authority's records. The Township should require that the Authority provide an analysis of assessment balances and collections to the Township Board each year. The analysis should be provided in a timely manner to coincide with the Township's fiscal year end, and should reconcile to the amounts recorded in the Township's records for beginning and ending balances, and for assessment levy collection receipts and all other transactions recorded by the Township. Any differences between the Township and Authority records should be analyzed and reconciled in a timely manner.

To the Board of Trustees
Township of Casco, Michigan
Page 2

We also noted the following reportable condition that is not believed to be a material weakness.

Record retention and filing

The Township has not established a comprehensive system to allow for easy retrieval of stored documents and reports. The Township should review its record retention procedures to determine how best to organize and centralize its filing systems so that reports and other documentation are readily available in subsequent periods. This is particularly important for the benefit of newly-elected officials. The Township should also periodically compare its policies and procedures to determine that all needed updates are made when necessary. An annual schedule of all required filings, including payroll reports, property tax forms, financial reports, and continuing debt disclosures and other filings should be prepared and referred to regularly to prevent any late filings.

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

August 31, 2005